

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

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CIEP-01 LAB-04 SIL-01 OMB-01 /083 W

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R 310900Z OCT 75

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 3853

INFO AMEMBASSY KUALA LUMPUR

AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY RANGOON

CINCPAC

C O N F I D E N T I A L SINGAPORE 4717

E.O. 11652: GDS

TAGS: ECON, SN

SUBJECT: CONVERSATION BETWEEN LEE KUAN YEW AND PROFESSOR
JOHN KENNETH GALBRAITH

1. I ATTENDED LUNCHEON OCTOBER 29 GIVEN BY PRIME MINISTER LEE KUAN YEW IN HONOR OF PROFESSOR JOHN KENNETH GALBRAITH, WHO WAS VISITING SINGAPORE TO MAKE TELEVISION FEATURE FOR BBC. ALSO PRESENT AT LUNCHEON WERE DEPUTY PM DR. GOH KENG SWEE, MINISTER OF LAW AND ENVIRONMENT E.B. BARKER, HEALTH MINISTER DR. TOH CHIN CHYE AND MR. MALONE OF BBC. ATMOSPHERE VERY RELAXED, BUT CONVERSATION DOMINATED THROUGHOUT BY PM LEE AND PROFESSOR GALBRAITH, PARTICULARLY THE LATTER.

2. CONVERSATION LARGELY OF GENERAL NATURE AND INCLUDED MANY PERSONAL REMINISCENCES OF PROFESSOR GALBRAITH. ONE ITEM OF INTEREST WAS CONCERN DISPLAYED BY PM LEE AND HIS MINISTERS REGARDING COMMENTS BY PROFESSOR GALBRAITH ON NEW YORK CITY
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SITUATION. IT WAS OBVIOUS THAT SINGAPOREANS FEARED SHOCK

WAVES OF POSSIBLE NEW YORK CITY BOND DEFAULT WOULD SPREAD AS FAR AS SINGAPORE. ANOTHER TOPIC WHICH OCCUPIED THEIR ATTENTION WAS RECENT REPORT BY ECONOMETRICIST OF CHASE BANK PREDICTING THAT FOLLOWING A PARTIAL RECOVERY IN 1976, THE U.S. WOULD UNDERGO ANOTHER SERIOUS RECESSION IN 1977.

3. ON SUBSTANTIVE MATTERS MORE DIRECTLY RELATED TO SINGAPORE, PROFESSOR GALBRAITH AT ONE POINT ASKED PM LEE WHAT WERE HIS, LEE'S, MAIN ITEMS OF CONCERN. PM LEE REPLIED THAT HE HAD TWO MAJOR CONCERNS: FIRST, GREAT CHANGE IN WORLD ECONOMIC RELATIONSHIPS, AND SECOND, EFFECTS OF FALL OF VIET-NAM ON SOUTHEAST ASIAN SECURITY SITUATION.

4. RE CHANGED WORLD ECONOMIC RELATIONSHIPS, PM LEE FELT SINGAPORE NOW LIVING IN AN "ENTIRELY NEW WORLD." BETWEEN 1945 AND 1973, NATIONS OF WORLD HAD BECOME ACCUSTOMED TO OPERATING UNDER CONDITIONS TO WHICH THEY COULD ADAPT WITH REASONABLE CONFIDENCE THAT THEIR DECISIONS COULD BE MADE IN AN ORDERLY AND REALISTIC MANNER. HE MENTIONED IN THIS RESPECT BRETON WOODS AGREEMENT, GATT, AND OTHER SIMILAR ECONOMIC STABILIZATION MEASURES WHICH HAD FOR MOST PART BEEN TAKEN UNDER U.S. INITIATIVE. SINGAPORE HAD LEARNED TO GET ALONG VERY WELL UNDER THESE CIRCUMSTANCES. NOW, HOWEVER, THE OLD RELATIONSHIPS HAD CHANGED DRASTICALLY, AND IT WAS AS YET TOO EARLY TO SAY WHAT NEW ONES WOULD TAKE THEIR PLACE. IN THIS ATMOSPHERE OF UNCERTAINTY IT WAS DIFFICULT TO PLAN AHEAD.

5. PROFESSOR GALBRAITH EXPRESSED CONFIDENCE IN SINGAPORE'S ABILITY TO ADAPT AND TO RESUME ECONOMIC PROGRESS. PM LEE AGREED ON SCORE OF SINGAPORE'S ADAPTABILITY, BUT WAS NOT OVERLY OPTIMISTIC REGARDING COUNTRY'S GROWTH RATE. HE NOTED THAT SINGAPORE MIGHT ATTAIN 2-3 PERCENT GROWTH RATE FOR 1975 IN CONTRAST TO 7 PERCENT IN 1974, AND ESTIMATED THAT BEST WHICH COULD BE HOPED FOR IN 1976 WAS 5 PERCENT. THIS WOULD CREATE INTERNAL PROBLEMS FOR SINGAPORE.

6. PM LEE THEN TURNED TO IMPLICATIONS OF VIET-NAM COLLAPSE AS IT AFFECTED SINGAPORE. U.S. "ABANDONMENT" OF VIET-NAM, HE SAID, HAD GIVEN IMMENSE SHOT IN THE ARM TO COMMUNIST REVOLUTIONARIES THROUGHOUT SOUTHEAST ASIA, MANY OF WHOM HAD

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BEEN JUST HANGING ON FOR YEARS (E.G. CHIN PENG IN MALAYSIA) AND WHO NOW FELT THAT THEY NO LONGER MIGHT BE COMPELLED TO ACCEPT THE ALTERNATIVE TO COMMUNISM. PROFESSOR GALBRAITH APPEARED TO DOUBT THAT THE SITUATION WAS SO SERIOUS, POINTING TO THE DESTRUCTION OF THE INDONESIAN COMMUNIST MOVEMENT. ON THIS SCORE, PM LEE COMMENTED THAT AIDIT OF THE PKI HAD MADE THE MISTAKE OF HAVING ALL HIS DAISIES PLANTED ABOVE THE GROUND, HENCE IT WAS EASY FOR THE GOI TO CUT THEM ALL DOWN WHEN THE

TIME CAME. THE SAME CONDITIONS WOULD NOT EXIST IN OTHER SOUTH-EAST ASIAN COUNTRIES.

7. TIME DID NOT PERMIT PM LEE TO ELABORATE FURTHER ON THIS SUBJECT, SINCE AT THIS POINT HE EXCUSED HIMSELF AND THE LUNCHEON PARTY DISMISSED.

8. COMMENT. PM LEE'S CONCERNS REGARDING SINGAPORE'S GROWTH RATE OVER NEXT YEAR OR SO MAY WELL BE RELATED TO FACT THAT PEOPLE'S ACTION PARTY MUST UNDERGO GENERAL ELECTIONS IN 1977. LEE'S LONG-TIME ADVISER AND CONFIDANT ALEX JOSEY HAS TOLD ME THAT HE EXPECTS AN OPPOSITION PARTY TO REAPPEAR IN THE PARLIAMENT FOLLOWING THESE ELECTIONS, WHICH WILL BE FAR FROM A SNAP FOR THE PAP. PM LEE IS ALSO PAYING ATTENTION TO THE POSSIBILITY THAT THERE MAY BE A RENEWED WORLD-WIDE RECESSION IN 1977, AS PREDICTED BY THE CHASE BANK'S ECONOMETRICIST. MEANWHILE, NAGGING FEARS ABOUT THE SECURITY SITUATION IN SEA POST-VIET-NAM CLEARLY CONTINUE TO WORRY THE PM.
HOLDRIDGE

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